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CLOSED
UNTIL
1994

1963

B

ARABIAN DEPARTMENT

KUWAIT

B K1114/42.

2

FROM

Mr. C. Gandy, Kuwait, to Mr. J. A. Shellgrove.
CONFIDENTIAL.

No. 1109/63.

Dated 24 SEP. 1963.

Received 27 SEP. 1963.

SUBJECT:

Details of DR FAKHRI SHEHAB, his company and his visit to Tunisia.

References

—/40.
—/35.

(Printing Instructions)

168756

(Outward Action)

(Action completed)	(Main Indexed)
30/12.	3

MINUTES

See also BK 1114/40
Interesting. DeK 3-10

Mr. Chapman WAC 7/10

ERD (A. Giles) 8/10

DeK 11-10

J174 59237—1

CONFIDENTIAL

(†109/63)

RECEIVED 26 SEP
ARCHIVES No. 5
27 SEP 1963
BK1114/42.

BRITISH EMBASSY,

KUWAIT.

September 24, 1963.

Dear Anthony, BK1114/40

In his letter 11234/5 of September 13 to Economic Relations Department, Noble from Tunis reported the visit there of Dr. Fakhri Shehab, (who though of Iraqi birth has taken Kuwaiti nationality and was for some years in Kuwaiti Government service). The Company of which he is Managing Director, Kuwait International Consultants Limited, will be familiar to you from previous correspondence (see BK1114/35 for example, my letter B186 of August 21 to Loombe, not copied to all). It is a private Company with a fairly small capital which aims initially at assembling a group of consultants able to spot valuable investment opportunities in Kuwait and elsewhere in the Arab world and provide consultant services for them. The members of the Board would then, in their personal capacity, put up money for suitable projects and other Kuwaiti capitalists would be invited to join them.

2. Dr. Shehab told me on September 22 of his visit to Tunisia which he had indeed much enjoyed. He had been very impressed by the competence, dedication and honesty of the Administration and by the refreshing change from the bombastic and vulgar politics of Egypt and the rest of the Arab world. He had met the President and been very struck with him. He had found no trace of any opposition, though he admitted that he had arrived with strong preconceptions in Tunisia's favour and that the people he had met were to be expected to be in support of the regime.

3. The two projects which his Company is considering are the supply and erection of prefabricated housing, probably on a new Swedish system of pre-cast concrete panels, and what he calls a "vertical tourist organisation" which looks after the tourist from his own front door and back again, apparently an American idea. There is also, I rather gather, a possibility that later on the Company might interest itself in the establishment in Tunisia of supermarkets, a venture which they are starting in Kuwait and may extend later to other Arab countries.

4. The Kuwaitis would find all the foreign exchange for these ventures, but Tunisia would put up the local currency. Apparently the Tunisian authorities have given satisfactory assurances about the repatriation of profits and capital.

5. I am sending copies of this letter to the Chancery at Tunis and to Sharp in the Treasury, Mackenzie at the Board of Trade and to Claude Loombe in the Bank of England.

Yours ever

Christopher Gandy

(Christopher Gandy)

J.A. Snellgrove, Esq.,
Arabian Department,
Foreign Office, S.W.1.

CONFIDENTIAL

1963

B

ARABIAN DEPARTMENT

KUWAIT

B K 1114/43

4

FROM Mr. Gandy, Kuwait to Mr. Brenchley

CONFIDENTIAL

No. 11114/63

Dated October 2

Received October 4.

SUBJECT: K.F.A.E.D. Annual Report: comments: not very informative other than Balance Sheet of March 31: Director of Fund has been more informative: further despatch when English text promulgated.

References

-/2
-/4 VE 3/10.
-/14
-/36.
-/25
-/26
-/27.

(Printing Instructions)

(Outward Action)

cc) Mr. Ewm Magor B of T. 16/10

(Action completed) 4/11

(Main Indexed) 12 3 65

MINUTES

Copy: Mr E.W.M. Magor, CRED.

Mr. Coombe hopes to see Abdul Latif al Hamad (Director General, KFAED) on his way back from the IMF meeting in New York, and may then be able to amplify this account, and to say whether a KFAED financial expert has yet been appointed.

DeKraic 9-10

JM 10/x

Mr. Pridham

Eastern D. BRP 11/10

Mr 16/10.

NEAD Mr Shakespeare

Mr J. [illegible] TCR. 21/10

ERD. Rom 23/10

Mr Osmond [illegible] 1/11

J174 59237—1

5

BRITISH EMBASSY
KUWAIT.

TFB 3/10
JAS/ 31x
DCFG
DCFG 3-10

11117/63

4 OCT 1963

BK. 114/45

October 2, 1963.

Dear Frank,

I have been meaning to write to you about the Kuwait Fund for Arabian Economic Development but have been awaiting the appearance of their Annual Report. It has now come out but is rather disappointing as it contains neither a forecast of the Fund's loan activities, nor a detailed description of its method of supplying, nor details of the progress made in the projects so far approved. It has a useful Balance Sheet but this is dated March 31 and is rather out of date. At that time only £775,834 had been withdrawn from the funds on holdings of about £15,000,000.

2. The Director of the Fund has been rather more informative and I have jotted down below what he has told me, or what I have learned from other sources, about the Fund's present projects.

Tunis:- The agreement has still not been signed. I think the reason is that the Director did not circulate to the Board of the Fund the feasibility studies on which the loan is to be based and they have insisted ~~instruction~~ on seeing and studying these before finally approving the loan. Unfortunately, it has not seemed likely to be of much interest to British business since the power station equipment will come from Germany and France and the Kuwaiti contribution to the Madjerda ~~electrification~~ irrigation project will mostly go towards buying such foreign exchange goods as petrol, cement, etc.

Algeria:- The Algerians have now submitted a first sketch of an agricultural project south of the Atlas.

Sudan:- This is going on well but less than half of the £7,000,000 allocated has yet been spent.

Jordan:- The three projects concerned (the Yarmuk project, the phosphates project and the industrial development project) are still only in the stage of preparation and very little of the Kuwait monty has yet been spent.

Yemen:- The Fund have now dropped the project for assisting the textiles mill at Bajil and the salt mine at Salif (the Director told me that a private Yemeni capitalist whose father already has textile mills in Indonesia and Japan has taken over the Bajil scheme and will finance it himself). The Fund is now thinking of an agricultural project in the Tihama, of improvements to the Port at Mokha, and of a dam in the Wadi Warzam.

3. The Fund has now taken possession of £27,000,000 out of the initial allocation of £50,000,000 and the rest will follow, he hopes, by instalments. There is still the second £50,000,000

T.F. Brenchley, Esq.,
Arabian Department,
Foreign Office,
LONDON S.W.1.

/to

BRITISH EMBASSY
KUWAIT

to come and he hopes that the Minister of Finance will agree to transfer this to the Fund in one lump sum.

4. I am sorry this letter is so sketchy but as soon as I have the English text of the Annual Report we will try to do a proper despatch covering it and all other information.

5. I am sending copies of this letter to Sharp at the Treasury, Loombe at the Bank of England, and to the chanceries in Algiers, Tunis, Khartoum and Amman.

Yours ever

Christopher

(Christopher Gandy)

1963

B

ARABIAN DEPARTMENT

KUWAIT

B K 1114/44

7

FROM

B.B.C. Monitor.

No. CONFIDENTIAL

Dated October 3

Received October 8

SUBJECT:

Jordanian Government requested additional loan from K.F.A.E.D for YARMAK River projects.

References

E.J. 1422/9

MINUTES

SMBlack 18/x

JM 21/x

(Printing Instructions)

(Outward Action)

Rft/ Mr. C. J. Gandy, Kuwait from Mr. S.M. Black. 29/10

Rc) Chancery, Amman 29/10

Eastern Dept.

There was a later report (which I have thrown away) saying that Kuwait had lent Jordan 4 million dinars. This was simply a repetition of what we had known for two years. But the sum within is 2½ million, which suggests a second sum of money. Can we write to Kuwait & find out precisely what the K.G. is lending, and/or proposing to lend, to Jordan for the Yarmuk project?

Arabian Dept.

J37 57107

Draft.

SS 29/x

Eastern Dept. (Mr. Aggs) a.a. thank you.

Lt 29/10.

(Action completed) 31/10

(Main Indexed) 29.3.65

8

A). Mr. C. T. Gandy, Kuwait, to Mr. S.M. Black, 1124/63 Nov. 6.

SMBlack
11/xi

Mr. Figg (Eastern Dept.)
LA 13/11.

B) Embassy, Kuwait, to Mr. S.M. Black. 1124/63 11/11
(Mr. C. T. Gandy, Kuwait, to Mr J. F. S. Phillips, Amman).

SB
22/xi

Mr. Figg (Eastern Dept.) LA 25/xi
Mr Sanders N.M.

C) Mr J.F.S. Phillips Amman to Mr SM Black (Add'd Mr S.M Black) 1151/63 Dec 12.

23/xii
Eastern Dept.
ERD. Dec. 30

SB
23/12

Number of copies.....

Number of copies of enclosures.....

B30 JORDAN SEEKING FURTHER KUWAITI LOAN

(ARAB NEWS AGENCY) AMMAN: THE DEVELOPMENT BOARD ANNOUNCED TODAY THAT THE JORDANIAN GOVERNMENT HAS REQUESTED AN ADDITIONAL LOAN OF 2,500,000 DINARS FROM THE KUWAITI FUND FOR ARAB ECONOMIC DEVELOPMENT, AND THAT THE KUWAITI SIDE HAS AGREED TO STUDY THE REQUEST.

IF GRANTED THIS ADDITIONAL LOAN, WHICH IS INTENDED FOR YARMUK RIVER IRRIGATION AND ELECTRICITY PROJECTS, JORDAN WILL HAVE RECEIVED 10 MILLION DINARS.

END BBC MON 1718 3/10 JM (KY)

RECEIVED IN
ARCHIVES No. 35
- 3 OCT 1983

(1124/63)

RECEIVED
ARCHIVES MOD
8 NOV 1963
BK1114/44 (A.)

BRITISH EMBASSY,
KUWAIT.

November 6, 1963.

Dear Stanley,

I am extremely sorry to have been some time in dealing with your letter BK 1114/44 of October 29 about Kuwait's contribution to the Yarmouk scheme. Even now I'm afraid I cannot give more than an interim reply, since I have not called on the Director of the K.F.A.E.D. to discuss it and have only had a word at a party with his chief adviser.

2. However from what the latter said to me, I don't think the ANA report is very near the truth. I had the impression that the Jordanians had indeed put out feelers for more money but that the Kuwaitis were unlikely to produce it and would not have gone anything like so far as to agree to study the request. I am pretty certain that before they even start paying out the money already promised, they will want to see and be satisfied with the results of the financial feasibility study mentioned in paragraph 4 of John Phillips's letter 1423/63 of October 23 to Willie Morris. They are quite sufficiently worried about the £4 millions, lest they find themselves the only contributors to a scheme estimated to cost a total of £55-60 millions. EJ1422/9

3. In general, after the loan of £30 millions to Iraq and the prospect of a sizeable application from Syria, I fancy the Kuwaitis are going to be very canny about further promises to others, particularly to Jordan to whom they have committed £7½ millions.

4. I gather also that the Kuwaitis are not very happy about the phosphates loan either (£3 millions) and wonder how this project is going to fit in with or affect the existing phosphates installations.

5. I will see the Director of the K.F.A.E.D. before the next bag and hope to give you more precision then.

6. A copy of this letter goes to John Phillips.

Yours ever
Christopher Gandy

(Christopher Gandy)

S.M. Black, Esq.,
Arabian Department,
Foreign Office,
London, S.W.1.

Registry
No. BK1114/44

Top Secret.
Secret.
Confidential.
Restricted.
Open.

SMB
29/X

Draft. Letter

To: C.T.Gandy, Esq.
KUWAIT

From:
S. M. Black

Copy to:
Chancery, Amman

RECEIVED IN
28 OCT 1963
29/10.
SEARCHED
INDEXED

Eastern Dept.
(Mr. Figg)
a.a.

NOTHING TO BE WRITTEN IN THIS MARGIN.

Insert Telephone No. & Ext. when appropriate.

+2 - 29/4

11

As you know, the terms of the agreement between the Kuwait Fund for Arab Economic Development and the Jordan Government, of April 3 1962, are for a loan of KD7½ million for three development projects in Jordon, including the Yarmouk River Project (Bill Cranston's letter (1124/62) of November 4, 1962 to Mark Marshall refers).

2. According to an A.N.A. report from Amman, monitored by the B.B.C. on October October 3 last, the Jordanian Government has requested an additional loan of KD2½ million from the Fund, intended for the Yarmouk River Irrigation and Electricity Projects, and the Kuwaiti side had agreed to study the request.

3. We usually see a fair amount of collateral when developments like this are in the wind, but on this occasion there appears to have been no confirmation or comment. I should be grateful if you could find out if this additional loan is

/under

M.F.P

under consideration and, if so, what are the chances of it being approved.

4. I am copying this letter to Chancery in Amman.

rd
29/x

NOTHING TO BE WRITTEN IN THIS MARGIN.

(NK 1114/44)

FOREIGN OFFICE, S.W.1.

October 29, 1963.

CONFIDENTIAL

As you know, the terms of the agreement of April 3, 1962, between the Kuwait Fund for Arab Economic Development and the Jordan Government are for a loan of KD7½ million for three development projects in Jordan, including the Yarmouk River Project (Bill Cranston's letter (1124/62) of November 4, 1962, to Mark Marshall refers).

2. According to an A.N.A. report from Amman, monitored by the B.B.C. on October 3 last, the Jordanian Government has requested an additional loan of KD2½ million from the Fund, intended for the Yarmouk River Irrigation and Electricity Projects, and the Kuwaiti side had agreed to study the request.

3. We usually see a fair amount of collateral when developments like this are in the wind, but on this occasion there appears to have been no confirmation or comment. I should be grateful if you could find out if this additional loan is under consideration and, if so, what are the chances of it being approved.

4. I am copying this letter to Chancery in Amman.

(S. M. Black)

C. T. Gandy, Esq.,
KUWAIT.

CONFIDENTIAL

CONFIDENTIAL

14

(1124/63)

RECEIVED IN ARCHIVES No. 5
1 NOV 1963
BK1114/H4(B)

With the compliments of

HER BRITANNIC MAJESTY'S
EMBASSY

S.M. Black, Esq.,
Arabian Department,
Foreign Office,
London, S.W.1.

KUWAIT
November 11, 1963.

CONFIDENTIAL

21/xi

Mr. Figg (Eastern Dept.)
Mr Landers 24/xi

CONFIDENTIAL

15

(1124/63)

BRITISH EMBASSY,
KUWAIT.

November 11, 1963.

BK1114/44 (A)

In my letter 1124/63 of November 6 to Stanley Black I gave a preliminary answer to enquiries that have been made about Kuwait's help towards the financing of the Yarmouk project. I went to see the Director of the K.F.A.E.D. on November 10 and got a little out of him. He is naturally, as a Kuwaiti and as Director, more careful in what he tells foreigners than his principal adviser, an emigré Czech on secondment from the International Bank, on whose information my letter of November 6 was based.

2. The Director said that it was impossible to say at present what the Jordanians might ask for or what the Kuwaitis might be disposed to grant. They had still to see the report of the Yugoslav consultants on the scheme: until they had done so they could not say whether it made economic sense or how the £3.3 million (i.e. the £4 million promised less the £700,000 allotted for the consultants) should be spent. It is clear from the Fund's annual report, of which I enclose the relevant extract, that the Kuwaitis expect the Jordanians to satisfy them about their arrangements for finding the rest of the money and that meanwhile any discussion of further Kuwaiti assistance is premature.

3. The Director spoke rather more optimistically than his adviser about the phosphates project (paragraph 4 of my letter under reference) but expressed doubts about the marketing of the product. The fact that cargoes for West of Suez would have to go through the Canal would make Jordanian phosphates uncompetitive in the Mediterranean area and they would have to be sold East of Suez.

4. He told me that the mission from the Fund which recently visited Amman had mainly dealt with the smaller projects (the Jerusalem Hotel and the Jerusalem District Electricity Company). He was optimistic about Jordan's tourist trade, which he thought her best foreign exchange resource.

5. A copy of this letter goes to Stanley Black in the Arabian Department.

(Christopher Gandy)

J.F.S. Phillips, Esq.,
British Embassy,
AMMAN

CONFIDENTIAL

EXTRACT FROM K.F.A.K.D.'S FIRST ANNUAL REPORT

The Yarmouk River Scheme

The loan for this project amounts to KD. 4 million repayable in 15 annual instalments together with 3% interest beginning March 31, 1968. Also to take into account the higher interest payments in the earlier years and the income effect of the project, the earlier payments were made relatively small. Instalments of repayment of principal amount to KD. 100,000 in each year during the first five years, KD. 200,000 during each year of the following five years, KD. 300,000 in each of the following two years, KD. 500,000 in the following year and KD. 700,000 in the last two years.

The project is part of a multi-purpose scheme, providing for water storage, irrigation, land reclamation and the generation of power in the Jordan Valley. Its first stage (East Ghor Canal) financed by United States aid is nearing completion.

The larger part of the project, involving dam construction, power and large land settlement schemes, has not been started, pending completion of the studies and final plans. In December 1962, the Jordan Development Board, in Consultation with the Fund, selected a Yugoslav consultant firm to carry out a complete review of existing plans and cost estimates, make recommendations on a final plan, prepare detailed designs and drawings and supervise the execution of the program. The studies on the program will require approximately two years for completion and its execution is planned over a period of five years from that date.

About KD. 700,000 of the loan has been allocated for studies and consultants' services and the balance of KD. 3.3 million, for financing part of the construction costs. According to previous estimates, these may reach KD. 60 million. The Jordanian Government has undertaken to make arrangements for such additional funds as may be needed to meet the total cost of the program, but the project has not reached a stage whereby a comprehensive financial program can be drawn up.

16A

CONFIDENTIAL.
~~(1124/63)~~
1151/63

S. Black, Esq.,
Arabian Department.

Dck 19-12

PW

WITH THE COMPLIMENTS

OF HER BRITANNIC MAJESTY'S

EMBASSY

RECEIVED IN
ARCHIVES No. 5
19 DEC 1963
BK1114/44(C)

December 12, 1963.

AMMAN.

CONFIDENTIAL
(1124/63)

British Embassy,

AMMAN.

December 12, 1963.

BK1114/44

Thank you for your letter 1124/63 of November 11 about Kuwaiti aid for the Yarmouk scheme and the phosphates industry.

2. There is little if anything further to report from here about the former. Escott Reed and Brakel of the World Bank have been here recently and the subject of I.D.A. support must have come up in discussion between them and Najm ed Din Dajani of the Jordan Development Board. But no further progress is likely until the feasibility report, mentioned in paragraph 4 of my letter (1423/63) of October 23 to Morris, is available. In conversation with us Escott Reed and Brakel, more particularly the former, did not encourage optimism that a loan would be forthcoming.

EJ1422/9

3. On the phosphates side the Government have appointed a board which is actively cleaning up the mess left by the previous directors of the Company who had been exploiting, in more than one sense of the word, the Roseifa deposits. The new deposits at Hasa, for whose working the reconstituted Board will be responsible in addition to reorganisation at Roseifa, are much more promising. Having acquired a controlling interest in the Company the Government are looking round for a (necessarilly foreign) partner to take a 49% share and look after technical operations and marketing. The latter would be more profitably undertaken Eastwards to take advantage of the location of Aqaba and, possibly, decline in production from Nauru Island in the Pacific. In short, there is some way to go yet before Jordanian phosphates become as profitable as experts believe they could be made, but they are moving in the right direction and a number of foreign companies, including British, are showing interest.

4. I am sending a copy of this letter to Stanley Black in Arabian Department.

(J.F.S. Phillips)

1963

B

ARABIAN DEPARTMENT

KUWAIT

18

BK1114/45

FROM Mr. C.T. Gandy (Kuwait) to Mr. F.C. Mason.

CONFIDENTIAL

No. 11117/63

Dated October 16

Received October 18

SUBJECT:

Economic aid to Kuwait: advantages of a certain degree of consultation between H.M.G. and the K.F.A.E.D.

References

UEE 1061/181

-/20, 27, 43 Dept. 29/11

BK103198/4

VS 1291/3.

(Printing Instructions)

(Outward Action)

8a) Mr. Lucas, Tsy. from Mr. J.A. Snellgrove, 18/11.

8b) Mr. Magor, B.O.T., Mr. Cotterill, E.C.G.D., Mr. Schofield, Bank of England

8c) Mr. Gandy, Kuwait 18/11.

Dfb/ Mr. M.A. Schofield, B. of E. 13

from Mr. D.C.P. Grace 12

Dfb/ Mr. C.T. Gandy, Kuwait 14

from Mr. F.C. Mason 14

cc) Mr. Lucas, Tsy. 14

cc) Mr. Loomis, B. of E. 14

cc) Mr. Magor, B. of T. 14

cc) Mr. Cotterill, E.C.G.D. 14

(Action completed) 15/1

(Main Indexed) 3/15

MINUTES

This is a most interesting suggestion, to which Mr. Gandy has clearly given much thought. I cannot help feeling, however, that he may have underestimated the political difficulty described in para. 8.

2. It is clearly envisaged in Circular 092 that we could co-operate with, or take advantage of feasability studies, made by, the I.B.R.D. + similar international agencies. What Mr. Gandy is suggesting however is a virtual partnership with another state. I should be grateful for your comments on this, and on any other aspect which occurs to you.

[signature] 29/x

ERD (Mr. Lane).

If collaboration with the KFAED were politically possible, I do not think it wd. be incompatible with the aims behind the FO aid allocation. Mr. Gandy points to several advantages in such collaboration. I think the best course wd. be for other Depts (Tsy., Bank of England, Bd. of Trade and ECGD) to be asked for their views (on

J37 57107

on this suggestion. If they think it is worth pursuing, we can then perhaps authorise Mr. Gandy to have a word with the Director of the Fund as suggested in his para. 9.

D M Lane
-- Nov. 12

19

Number of copies.....

Number of copies of enclosures.....

Dft) Mr. C.Y. Gandy, Kuwait from Mr. J.A. Snellgrove 11/2

I thought it better not to copy Mr. Gandy's letter to other Departments without comment, and in particular without the assurance in the first sentence of Mr. Lane's minute. Unfortunately, it is now too late to consult Mr. Loombe, who has left for the Middle East. He will, however, be in Kuwait this week and Mr. Gandy will be discussing the proposal with him then.

2. I attach a draft letter to the other Departments concerned, with a copy also to Mr. Schofield in the Bank of England.

SMBlack

(S.M. Black)
November 14, 1963.

E.R.D. (Mr. Lane) DML Nov. 19

I think Mr Gandy is an optimist. However, we can try his idea out.

Draft to issue

JG 19/11

A) Mr. M.A. Schofield, Bank of England to Arabian Department Nov. 21.
(Copy of letter addressed to Mr. J.E. Lucas, Treasury)

ERD. (Mr. Lane) RM 29/11.

B) Mr K.W. Cotterill, E.C.G.D. to Arabian Dept,
(Add'd to J.E. Lucas, Treasury) 28 Nov.

DCK 5-12

C) Mr. E. to M. Magor. B.O.T. to Mr. J. A. Snellgrove. CdE. 1419/63. 10/12

Draft to Mr Schofield. DCK 12-12

D) Mr J.E. Lucas, Tsy to Mr J.A. Snellgrove 2-F141/184/01 Dec 19

We await Mr. Schofield's reply.

[illegible] 23/xii

B/u in 10 days

E) Mr C. Loombe, Bank of England to Arabian Dept (Add'd Mr R. Sharp, T'sy) Dec 17.

Draft reply.

[illegible] 8/1

[illegible] 14/1

ERD (Mr. Lane)

F) Mr. C.T. Gandy, Kuwait, to Mr. J.A. Snellgrove. 11117/64. Jan. 23

As I think Mr. Gandy might have noticed, the Foreign Office "view" in our letter of November 18 to the Treasury was not so much an assessment of his proposals but a repetition of them phrased in some instances in rather more careful terms. In so far as the emphasis was changed it was in the direction of caution, which was exactly the sentiment expressed by the other Departments whom we consulted. The suggestion of a conflict between the Foreign Office and the rest of Whitehall is wrong, but I do not think it would be profitable to pursue the question with Mr. Gandy. It is up to us to obtain Whitehall views and draw the strings together.

NOTHING TO BE WRITTEN IN THIS MARGIN

Minutes

2. There is more force in Mr. Gandy's contention that he and the Ambassador are the best judges of the likely reaction of the Kuwaitis to any proposal. They have recognised the risk of possible political difficulty (para. 8 of the letter of October 16); we rated the risk higher than they did and said so frankly. This is within our discretion. Again, I have some doubt if it would be wise to pursue this question further.

3. Some reply is called for however. I submit a draft.

SMBlack.

(S. M. Black)

Thank you.

JS 3/11

NOTHING TO BE WRITTEN IN THIS MARGIN

CONFIDENTIAL

enter

(11117/63)

BRITISH EMBASSY
KUWAIT.

22

B

BK 1114/45

October 16, 1963.

copy of circular attached

Dear Fred,

The Ambassador and I have read with great interest Foreign Office circular No. 92 (UEE 1061/181) of September 23 about the Foreign Office Economic Aid programme.

2. We note that one of the problems raised by this generous new scheme is how to select projects without entering into discussions with local governments as to rouse false hopes: and also that H.M.G. wish their aid as far as possible to be used to finance projects fitting into a planned development programme which have received the approval of a reputable international organization. These considerations prompt us to suggest that there might be advantage in a certain degree of consultation between H.M.G. and the K.F.A.E.D.

3. The latter has now got under way, with a capital of £100 million, of which less than £5 million - at the outside - has yet been spent and only £21 million firmly committed. Under a capable and devoted Kuwaiti Director, it has a competent and experienced expatriate seconded from the International Bank and they are building up a small staff of international experts. Their practice seems sound and so far they are making payments only against documents for equipment, etc. supplied. They hope to act not only as a source, but also as a channel, for financing sound development projects in Arab countries. Fuller details will be found in Sir J. Richmond's letters 11117/63 of April 13 to Robert Walmsley and of May 26 to Frank Brenchley: Bill Cranston's to Snellgrove of June 18: and mine to Brenchley of October 2.

BK1114/20
BK113198/4
BK1114/27
BK1114/43

4. Cooperation with H.M.G. might conceivably take the following forms:

(a) A continuing exchange of views and information on suitable development projects in Arab countries. The Kuwait Fund will not be able to finance all these itself, and they will inevitably collect information on such projects throughout the Arab world. They are apparently having detailed feasibility studies made, not all of which they will be able to follow up.

(b) Raising money on the London market. The Fund has authority to raise up to twice its capital on the world markets. It is interesting in this connection,

/just

F.C. Mason, Esq., C.M.G.,
Economic Relations Department,
Foreign Office,
London, S.W.1.

CONFIDENTIAL

just as K.F.A.E.D. is finalizing its loan to Tunis, that a group of British merchant banks should have announced a large credit to Tunis for a steel plant.

(c) Joint projects in which aid offered by the Fund might be complemented by aid from H.M.G. where the project is too large to be financed by the Fund alone but needs to be implemented as a whole if it is to be successful. B

5. Such cooperation would have the following advantages:

(a) It would put H.M.G. in touch with possible development projects without themselves entering into discussions with the governments concerned until a prima facie case had been made out to show that the project was worthwhile.

(b) It would give H.M.G. access to information and technical data which they might otherwise have trouble in acquiring.

(c) It would help to strengthen our relations with the Kuwait Government who would appreciate being taken seriously by us in the development field.

(d) It might improve the chances of getting British industry a share in the orders placed as a result of loans from the K.F.A.E.D. D

6. There are of course disadvantages and difficulties. The weightiest seems to be that kudos for the help given by H.M.G. might tend to be given to the Kuwaitis more than to us and that if in any project their contribution was much bigger than ours, it would tend to put us in the shade. But I think the Kuwaitis would fully recognize our desire for kudos and would not endeavour to snatch credit for our contribution. It would be up to us, by our conduct of negotiations and of our publicity, to correct this tendency.

7. It might also not always be easy to ensure that any money provided by us was spent on "utilizing surplus capacity in the U.K.", because the Kuwaitis themselves quite rightly insist as far as possible on competitive tenders for equipment to be bought with their money. However, provided British equipment of the right type and quality were available, I do not see why we need be ashamed to tie our help quite unconcealedly. Of course this would depend on how far our aid in general were being tied - it appears from the circular that there will be

/a

a strong tendency in this direction, and with the new United States pressure for tied aid, presumably it is becoming more respectable than it was.

8. There is also the possibility of a political difficulty, should the Kuwaitis be timorous about Arab nationalist criticism of them for collaborating with the Imperialists. So far however they have not allowed themselves to be deflected by feelings of this kind - one of their first big loans was to Jordan, emphatically not one of the "liberated Arab states".

9. To sum up, there seems a possible avenue to explore here, in which the undeniable disadvantages may be capable of remedy if the Kuwaitis can be brought to take account of our interests, and the Ambassador thinks it might be worth my having an exploratory talk with the Director of the Kuwait Fund. If necessary I could put the idea forward as a purely personal one, stressing that I did not know whether it would commend itself to you. Would you authorize me to have such a talk?

10. I am sending Frank Brenchley a copy of this letter and enclose others for any government departments you think might be consulted. Claude Loombe in the Bank of England will, I know, be interested, and is due here in the middle of next month, so we could discuss the matter then.

Yours ever

Christopher Gandy

(Christopher Gandy)

DB. +4

CONFIDENTIAL

25

Registry No. BK 1114/45

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Secret.
Confidential. ✓
Restricted.
Open.

SMB 14/11

Insert Telephone No. & Ext. when appropriate.

Draft.

J.E. Lucas

~~R.L. Sharp~~, Esq.,
H.M. Treasury

from

J.A. Snellgrove,

Copies to:

Mr. E.W.M. Magor, C.M.G. O.B.E
Board of Trade.

Mr. K.W. Cotterill
E.C.G.D.

Mr. M.A. Schofield
Bank of England
(with copy of F.O. Circular no. 092)

Mr. C.T. Gandy,
Kuwait.

Mr. D.N. Lane,
(E.R.D.)

Reference is made in paragraph 5 of F.O. Circular no. 092 of September 23 about the Foreign Office Economic Aid Programme, with which you will be familiar, to the problem in some under-developed countries of selecting projects for assistance without entering into such discussions with the local Governments as may arouse false hopes. ~~Christopher Gandy~~ our Economic Counsellor in Kuwait, Gandy, GANDY has now written to suggest that, so far as this difficulty may arise in the Arab world, there would be advantage in a degree of consultation and co-operation between H.M.G. and the Kuwait Fund for Arab Economic Development.

2. He points out that the K.F.A.E.D., which as you know is a thoroughly sound organisation, with competent and experienced ex-patriate staff, seeks to act not only as a source but also as a channel for financing sound development projects in Arab countries. He suggests the following forms of co-operation with the Fund:

(a) A continuing exchange of views and information on suitable development projects in Arab countries. The Kuwait Fund will not be able to finance all these itself, and they will inevitably collect information on such projects throughout the Arab world. They are apparently having detailed feasibility studies made, not all of which they will be able to follow up.

(b) Raising money on the London market. The Fund has authority to raise up to twice its capital on the world markets. It is interesting in this connection, just as K.F.A.E.D. is finalizing its loan to Tunis, that a group of merchant banks should have announced a large credit to Tunis for a steel plant.

/(c)

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15 NOV 1963
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Enclosure

(85261) Hw.

(c) Joint projects in which aid offered by the Fund might be complemented by aid from H.M.G. where the project is too large to be financed by the Fund alone but needs to be implemented as a whole if it is to be successful.

3. The advantages in such co-operation would be:-

(a) It would put H.M.G. in touch with possible development projects without themselves entering into discussions with the governments concerned until a prima facie case had been made out to show that the project was worthwhile.

(b) It would give H.M.G. access to information and technical data which they might otherwise have trouble in acquiring.

(c) It would help to strengthen our relations with the Kuwait Government who would appreciate being taken seriously by us in the development field.

(d) It might improve the chances of getting British industry a share in the orders placed as a result of loans from the K.F.A.E.D.

4. Gandy recognises of course that there are corresponding disadvantages in this scheme. The most important of these, in our view, is that the Kuwaitis may not be willing to be publicly associated with the British in joint development projects elsewhere in the Arab world. The purpose in setting up the K.F.A.E.D. was to obtain recognition of Kuwait's independence by her Arab neighbours, other than Iraq, and political support from them when she was under threat from the latter. Although the threat may be somewhat reduced, and economic considerations have come to play as important a rôle as political motives in the operation of

/the

NOTHING TO BE WRITTEN IN THIS MARGIN.

the Fund, the Kuwaitis still regard their connection with the British as something of a handicap in achieving full acceptance by their Arab neighbours. In these circumstances, we are not optimistic that they would agree to joint projects (see paragraph 2 (c) above). This need not, however, prevent us from securing the advantages listed in paragraph 3 above, nor need it prevent us reaching agreement with them on a division of responsibility between such projects as appear to be practicable.

5. Clearly this is a matter which we should have to approach with caution, but the Ambassador thinks it might be worth while if Gandy were to have an exploratory talk with the Director of the Kuwait Fund. We agree with this. Before writing to Kuwait, however, I should be grateful to know if you also agree and for any comments which you think might usefully be included in our reply.

6. I am sending copies of this letter to Magor in the Board of Trade, Cotterill in the E.C.G.D. and, with a copy of the F.O. Circular under reference, to Schofield in the Bank of England.

NOTHING TO BE WRITTEN IN THIS MARGIN

CONFIDENTIAL

(BK 1114/45)

FOREIGN OFFICE, S.W.1.

November 18, 1963.

Reference is made in paragraph 5 of Foreign Office Circular No. 092 of September 23 about the Foreign Office Economic Aid Programme, with which you will be familiar, to the problem in some under-developed countries of selecting projects for assistance without entering into such discussions with the local Governments as may arouse false hopes. Our Economic Counsellor in Kuwait, Gandy, has now written to suggest that, so far as this difficulty may arise in the Arab world, there would be advantage in a degree of consultation and cooperation between Her Majesty's Government and the Kuwait Fund for Arab Economic Development.

2. He points out that the K.F.A.E.D., which as you know is a thoroughly sound organisation, with competent and experienced expatriate staff, seeks to act not only as a source but also as a channel for financing sound development projects in Arab countries. He suggests the following forms of cooperation with the Fund:

(a) A continuing exchange of views and information on suitable development projects in Arab countries. The Kuwait Fund will not be able to finance all these itself, and they will inevitably collect information on such projects throughout the Arab world. They are apparently having detailed feasibility studies made, not all of which they will be able to follow up.

(b) Raising money on the London market. The Fund has authority to raise up to twice its capital on the world markets. It is interesting in this connexion, just as K.F.A.E.D. is finalizing its loan to Tunis, that a group of merchant banks should have announced a large credit to Tunis for a steel plant.

(c) Joint projects in which aid offered by the Fund might be complemented by aid from Her Majesty's Government where the project is too large to be financed by the Fund alone but needs to be implemented as a whole if it is to be successful.

3. The advantages in such cooperation would be:

(a) It would put Her Majesty's Government in touch with possible development projects without themselves entering into discussions with the governments concerned until a prima facie case had been made out to show that the project was worthwhile.

/(b)

J. E. Lucas, Esq.,
Treasury.

CONFIDENTIAL

(b) It would give Her Majesty's Government access to information and technical data which they might otherwise have trouble in acquiring.

(c) It would help to strengthen our relations with the Kuwait Government who would appreciate being taken seriously by us in the development field.

(d) It might improve the chances of getting British industry a share in the orders placed as a result of loans from the K.F.A.E.D.

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5. Clearly this is a matter which we should have to approach with caution, but the Ambassador thinks it might be worth while if Gandy were to have an exploratory talk with the Director of the Kuwait Fund. We agree with this. Before writing to Kuwait, however, I should be grateful to know if you also agree and for any comments which you think might usefully be included in our reply.

6. I am sending copies of this letter to Magor in the Board of Trade, Cotterill in the Export Credits Guarantee Department and, with a copy of the Foreign Office Circular under reference, to Schofield in the Bank of England.

(J. A. Snellgrove)

30

O/ECON/233/5/226

28th November, 1963

I was very interested to see a copy of Snellgrove's letter of 18th November to you about Gandy's suggestion that there should be some degree of consultation and co-operation between H.M.G. and the Kuwait Fund for Arab Economic Development.

BK1114/45 — No doubt the Bank of England's qualms about this suggestion as expressed in Schofield's letter of 21st November will bear strongly against the proposal. However, at a somewhat less profound level I cannot help feeling that at least 2(a) in Snellgrove's letter is worth consideration. A number of bodies of which this is one, is making feasibility studies of development schemes in various parts of the world.

These would certainly be useful to us in considering applications for cover in respect of project schemes, and if possible could this aspect be pursued?

I am copying this letter to Snellgrove, Magor and Schofield.

(K.W.Cotterill)

J.E.Lucas Esq.,
H.M.Treasury,
Gt. George St.
S.W.1

31

With the Compliments of the
Bank of England.

RECEIVED IN
ARCHIVES No. 5
22 NOV 1963

Mr.M.A.Schofield BK1114/45 (A)

CENTRAL BANKING INFORMATION DEPARTMENT.

Copy for J.A.Snellgrove, Esq.,
Foreign Office.

BANK OF ENGLAND

32

21st November 1963.

Dear Lucas,

Kuwait Fund for Arab Economic Development

As I mentioned to you over the telephone, we have not seen a copy of Gandy's despatch, referred to in Snellgrove's letter (BK114/45) of the 18th November, but my immediate reaction to the proposed effort to achieve some formal "degree of consultation and co-operation" between H.M.G. and the Kuwaiti Fund is one of caution, if not of alarm.

As you may know, Loombe himself is in Kuwait this week; I am sure it would be useful to us all to have the benefit of his views, on his return to London at the end of this month, before committing ourselves in any way.

Meanwhile we shall be looking further into the possible economic merits of the kind of consultation proposed, but they will obviously need to be offset against the political disadvantages of appearing to show that Kuwait has less than full independence in her financial affairs.

I am sending copies of this letter to Snellgrove, Magor and Cotterill.

Yours sincerely,

(Signed) M. A. SCHOFIELD

J.E.Lucas, Esq.,
H.M.Treasury,
Great George Street, S.W.1.

X: I have spoken to Mr. Schofield about this. He means Mr. Gandy's actual letter. I explained that ours covered the same ground. N.F.A.
27/11

33

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2 DEC 1969
BK1114/45 (B.)

With the Compliments of

K. W. COTTERILL

EXPORT CREDITS
GUARANTEE DEPARTMENT

P.O. BOX No. 272
BARRINGTON HOUSE
59-67, GRESHAM STREET
LONDON, E.C.2.

BOARD OF TRADE
Commercial Relations and Exports Department
Horse Guards Avenue, LONDON S.W.1
Telegrams: Advantage, Parl, London
Telephone: TRAfalgar 8855, *ext.*

Our reference: CRE 1419/63
Your reference: BK.1114/45

RECEIVED
ARCHIVES
11 DEC 1963
BK1114/45 (C)

10th December, 1963

Dear Snellgrove,

We here were very interested too in your letter of the 18th November about Gandy's suggestion that there would be advantage in some degree of consultation with the Kuwait Fund for Arab Economic Development over the feasibility of projects in the Middle East. We had a copy of his letter of the 2nd October about the K.F.A.E.D., but not the one to which you referred, of which we should be glad to have a copy now. BK1114/43

I am sure that I am not the only one to be rather appalled at what I have seen and heard lately of the industrial status symbols projected in most of the oil states, being undertaken I feel sure without any serious study of their feasibility. Sir Alan Dudley, in his report on his recent tour, refers to the businessmen of various nationalities who are to be observed selling white elephants, and to the consultants or 'experts' who were neither suitable personally nor in terms of the advice they were giving to the job they had undertaken, and my own observation confirms this.

The K.F.A.E.D. may well not be the best means that can be found, but I am convinced that we can offer these countries no more useful service, if they will accept it, than the preliminary technical assessment of their pipedreams, before ever consultants are engaged to carry out a feasibility study. Some very clear thinking on this point is contained in Howell's letter of the 19th November to Khartoum, which he copied to North and East African Department and King in D.T.C. YS1291/3

I am copying this letter to Lucas, Cotterill, Schofield, Howell, and Rae in D.T.C.

Yours sincerely

E. Magor

(E. W. M. Magor)

J. A. Snellgrove, Esq.,
Arabian Department,
The Foreign Office,
11, Downing Street,
LONDON, S.W.1.

Registry No. BK. 1114/45

Jennifer

+0

13/

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Insert Telephone No. & Ext. when appropriate.

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~~Restricted.~~
~~Open.~~

Draft.

M.A. SCHOFIELD

B. of E.

From D.C.P. GRACIE

I should be grateful to know whether you have been able to obtain ~~Loombe's~~ LOOMBE'S views on cooperation with the ~~KFAED~~ K.F.A.E.D. over aid — your letter of November 21 to Lucas at the Treasury and copied to us.

DCPG 12-12

RECEIVED IN DIVISION
13 DEC 1963
SENT TO THE 13/12
DESPATCHED 16/12

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M.F.P

FOREIGN OFFICE, S.W.1.

(BK 1114/45)

December 13, 1963.

CONFIDENTIAL

I should be grateful to know whether you have been able to obtain Loombe's views on cooperation with the K.F.A.E.D. over aid - your letter of November 21 to Lucas at the Treasury and copied to us.

(D. C. P. Gracie)

M. A. Schofield, Esq.,
Bank of England.

CONFIDENTIAL

FBH

Treasury Chambers
Great George Street, London S.W.1
Telephone: Whitehall 1234, *ext.* 752

RECEIVED IN ARCHIVES No. 5
20 DEC 1963

37

Our reference: 2-F141/184/01
Your reference: BK1114/45

BK1114/45 (D)

19th December, 1963

Dear Snellgrove,

I am sorry for the delay in replying to your letter of 18th November about the possibility of developing some degree of consultation and co-operation between H.M.G. and the Kuwait Fund for Arab Economic Development. In general we are in agreement with the views of the Bank of England as expressed in Schofield's letter of 21st November and Loombe's letter of 17th December. We think that there would be considerable dangers and difficulties in any attempt to establish consultation between H.M.G. and the Fund on any formal basis. This is in fact recognised in paragraph 4 of your letter. Moreover we should not wish to accept responsibility for any and every project which the Kuwait Fund was unable or unwilling to finance entirely themselves. There are obvious reasons for this, not least the fact that the balance of payments outlook for the second half of next year is by no means encouraging so that it will be necessary to continue to limit the amount of direct government aid which can be given to countries

BK1114/45
NYR

/outside

J.A. Snellgrove, Esq.,
Foreign Office,
Downing Street,
S.W.1

outside the sterling area. For the same reason we should not wish any encouragement to be given to the Kuwait Fund to borrow in London.

I am sending copies of this letter to Schofield, Magor and Cotterill.

Yours sincerely,

J.E. Lucas

(J.E. Lucas)

P/W TFG 20/12

COPY

BANK OF ENGLAND. 39

With the compliments of Mr.C.E.Loombe

17th December 1963.

RECEIVED IN ARCHIVES No. 5
24 DEC 1963
BK1114/45(E)

Dear Sharp,

Kuwait

Since my return from Kuwait I have seen the correspondence about the suggestion of some formal consultation and co-operation between H.M.G. and the Kuwait Fund for Arab Economic Development.

The objectives of the proposal are admirable but I believe that an attempt to put the consultations on a formal basis as opposed to an informal basis would result in difficulties and an attitude of suspicion on the part of the Kuwaitis. As you know, the establishment of the Kuwaiti Fund had a strong political background and Shaikh Jabir went out of his way to enlist the technical help of an international organisation, i.e. the I.B.R.D., as opposed to any close association with any particular foreign power. I also think that formal consultation would link H.M.G.'s name to the lending policy of the Fund with the inevitable problems that might arise.

BK1114/45

Perhaps it might be possible to achieve the objectives set out in the penultimate paragraph of Magor's letter of the 10th December by informal contacts and through consulting firms who are in close touch with the Kuwaitis, e.g. I.P.E.C.

I am sending a copy of this letter to Brenchley at the Foreign Office and Mackenzie at the Board of Trade.

Yours sincerely,

(Sd.) C. E. LOOMBE

R.Sharp, Esq.

H.M.T.

14/12, 15

+4

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SMB 8/1

Insert Telephone No. & Ext. when appropriate.

Draft.

Letter to:-

C.T. Gandy, Esq., Kuwait.

From:-

Mr. F.C. Mason

Copied to:-

~~Mr. D.N. Lane, (E.R.D.)~~ first

J.E. Lucas, Esq., Treasury.

C.E. Loombe, Esq., Bank of England.

E.W. Magor, Esq., C.M.G., O.B.E., Board of Trade.

K.W. Cotterill, Esq., Export Credits Guarantee Dept.

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RECEIVED IN DIVISION 14 JAN 1964

E.R.D. (Mr D.N. Lane) first for any comments

JM 9/1

RECEIVED IN DIVISION 14 JAN 1964 SENT TO TYPE 14/1

We have given careful, and I fear somewhat protracted, consideration to the stimulating suggestion in your letter (11117/63) of October 16 about co-operation with the Kuwait Fund for Arab Economic Development. We now have the views of the Treasury, the Bank of England, the Board of Trade and the Export Credits Guarantee Department.

2. The consensus of opinion is that, admirable as the objective is, it would be too risky to attempt to establish consultation and co-operation between H.M.G. and the Fund on any formal basis. This is based on two main considerations:-

a) The likelihood, which you recognise in paragraph 8 of your letter, that it might create difficulties for the Kuwaitis throughout the Arab world to be seen in collaboration with "the Imperialists". We rated this somewhat higher than you, particularly if there were to be joint projects. The establishment of the Fund was deliberately designed by the Kuwaitis to establish their character as "~~true~~ good Arabs" with their neighbours and Shaikh Jabir was careful, from the outset, to enlist the technical help of the I.B.R.D., as opposed to any close association with any particular foreign power. Even if the Iraqi threat has ~~retracted~~ retreated to some degree since last October, political motives still seem to weigh heavily

/with

(85261) Hw.

with the Kuwaitis and their sensitiveness over the British connection remains. An approach on the lines you describe might be unwelcome, or misconstrued, or even resented.

b) This risk might be worth taking if there ~~was~~ were an unqualified advantage to us in the partnership, but there are doubts about this also. H.M.G.'s name would sooner or later become linked with the policy of the Fund and we might by association become involved against our better judgement in projects which the Kuwaitis were not willing or able to finance entirely by themselves. This consideration is reinforced by what the Board of Trade have described as the tendency of Arab states to seek industrial status symbols without sufficient serious study of their feasibility. ~~The same infusion of political motives, they suggest,~~ A similar confusion of motives by many consultants in the Middle East, they also suggest, counsels caution in assessing feasibility reports and other information about projects even when they have no pronounced nationalist overtones. The Treasury, for their part, have ~~explained to~~ reminded us that the outlook for our balance of payments for the second half of next year is by no means encouraging and that this will continue to limit our ability to give direct Government aid to countries outside the sterling area. For the same reason, they do not want any encouragement to be given to the Fund to borrow in London.

3. For these reasons, we should prefer you to maintain your liaison with the Fund on its existing pattern, which has given us valuable information in the past, without attempting to

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to develop the relationship further. Claude Loombe has also pointed out to us the advantage, of which I am sure you will already be aware, of maintaining contact with consulting firms, like IPEC, who are themselves in close touch with the Kuwaitis.

4. I am copying this letter to the Departments listed in paragraph 1.

Fern
10/1

NOTHING TO BE WRITTEN IN THIS MARGIN

(BK 1114/45)

FOREIGN OFFICE, S.W.1

January 14, 1964

CONFIDENTIAL

We have given careful, and I fear somewhat protracted, consideration to the stimulating suggestion in your letter (11117/63) of October 16 about co-operation with the Kuwait Fund for Arab Economic Development. We now have the views of the Treasury, the Bank of England, the Board of Trade and the Export Credits Guarantee Department.

2. The consensus of opinion is that, admirable as the objective is, it would be too risky to attempt to establish consultation and co-operation between Her Majesty's Government and the Fund on any formal basis. This is based on two main considerations:-

a) The likelihood, which you recognise in paragraph 8 of your letter, that it might create difficulties for the Kuwaitis throughout the Arab world to be seen in collaboration with "the imperialists". We rated this somewhat higher than you, particularly if there were to be joint projects. The establishment of the Fund was deliberately designed by the Kuwaitis to establish their character as "good Arabs" with their neighbours and Shaikh Jabir was careful, from the outset, to enlist the technical help of the I.B.R.D., as opposed to any close association with any particular foreign power. Even if the Iraqi threat has retreated to some degree since last October, political motives still seem to weigh heavily with the Kuwaitis and their sensitiveness over the British connexion remains. An approach on the lines you describe might be unwelcome, or misconstrued, or even resented.

b) This risk might be worth taking if there were an unqualified advantage to us in the partnership, but there are doubts about this also. Her Majesty's Government's name would sooner or later become linked with the policy of the Fund and we might by association become involved against our better judgment in projects which the Kuwaitis were not willing or able to finance entirely by themselves. This consideration is reinforced by what the Board of Trade have described as the tendency of Arab states to seek industrial status symbols without sufficient serious study of their feasibility. A similar confusion of motives by many consultants in the Middle East, they also suggest, counsels caution in assessing feasibility reports and other information about projects even when they have no pronounced nationalist overtones. The Treasury, for their part, have reminded us that the outlook for our balance of payments for the second half of next year is by no means encouraging and that this will continue to limit our ability to give direct government aid to countries outside the sterling area. For the same reason, they do not want any encouragement to be given to the Fund to borrow in London.

/3.

C.T. Gandy, Esq.,
KUWAIT

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4. I am copying this letter to the departments listed in paragraph 1.

(F.C. Mason)

SMB, enter & pl. submit

45

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(11117/64)

RECEIVED IN ARCHIVES NO. 5
30 JAN 1964

BRITISH EMBASSY,

KUWAIT.

January 23, 1964.

BK1114/45 (F) 63.

Dear Anthony,

Mr. Mason's letter?

Thank you for your letter BK 1114/45 of January 14 about the possibility of co-operation with the Kuwait Fund for Arab Economic Development. I am sorry to have given you so much trouble.

2. I will not pretend that I agree with the Whitehall view (as opposed to the Foreign Office view in your letter BK 11145/45 of November 18 to Lucas): all that I was proposing in the first place was a personal and informal consultation with the Fund's Director General. Incidentally, I am surprised that anyone should think that the Ambassador and I would have made this suggestion if there were any danger of its being resented by the Kuwaitis. It was partly in the interests of our good relations with the people concerned that I started the idea and I think we here are the best judges of their likely reactions. But it's not worth returning to the charge.

Yours ever

Christopher

(Christopher Gandy)

J.A. Snellgrove, Esq.,
Arabian Department,
Foreign Office, S.W.1.

PERSONAL & CONFIDENTIAL

PERSONAL & CONFIDENTIAL

(11117/64)

BRITISH EMBASSY,

KUWAIT.

January 23, 1964.

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(Christopher Gandy)

J.A. Snellgrove, Esq.,
Arabian Department,
Foreign Office, S.W.1.

PERSONAL & CONFIDENTIAL

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TO

47

Registry No. RK 1114/45(63)

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Insert Telephone No. & Ext. when appropriate.

Draft.

Ref:

To.

C. T. Gandy, Esq.,

Kuwait.

From:

J. A. Snellgrove,

Esq.

Thank you for your letter (11117) of January 23 about further co-operation with the Kuwait Fund for Arab Economic Development.

2. I should like to dispel any impression that we thought we were being put to trouble in ~~possessing~~ assembling a joint Whitehall view of your proposals. Quite apart from the fact that this is our job, we are always grateful to be stimulated into thinking about possible implications in a particular field of wider policy decisions, where these had not occurred to us before. I hope you will not be put off from jogging us again in similar situations in future.

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- 4 FEB 1964
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(85261) Hw.

(EK 1114/45(63))

FOREIGN OFFICE, S.W.1.

February 4, 1964.

CONFIDENTIAL

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2. I should like to dispel any impression that we thought we were being put to trouble in assembling a joint Whitehall view of your proposals. Quite apart from the fact that this is our job, we are always grateful to be stimulated into thinking about possible implications in a particular field of wider policy decisions, where these had not occurred to us before. I hope you will not be put off from jogging us again in similar situations in future.

(J. A. Snellgrove)

C. T. Gandy, Esq.,
KUWAIT.

1963

B

ARABIAN DEPARTMENT

KUWAIT

B K. 1114/46.

49

FROM F.O. Mir (sub) by Mr. E. F. Given.

No.

Dated April 23.

Received October 22.

SUBJECT: Two new channels for Kuwait investment abroad: KUWAIT CAPITAL CORPORATION and KINTECO.

References

-/21

-/35

-/42

AK. 1104/2(64).

MINUTES

23/X

(Printing Instructions)

(Outward Action)

(Action completed) 23/10

(Main Indexed) 29.3.65

J37 57107

50

RECEIVED IN
ARCHIVES No. 5
22 OCT 1963
BK. 1114/46

Kuwait Investment Organisations

Apart from the official and semi-official bodies such as the Kuwait Investment Board, the Kuwait Arab Development Fund and the Kuwait Investment Company, there have been two recent moves to open other channels for the investment of Kuwait funds abroad. These are the Kuwait Capital Corporation, which is sponsored by Mr. Robert Anderson, former Secretary of the U.S. Treasury, and Kinteco, a consultancy firm whose partners are nearly all Kuwaiti merchants but also include Fakhri Shahab, an ex-patriate Iraqi who used to be Financial Adviser to the Kuwait Government and is a Fellow of St. Anthony's College, Oxford.

2. The connexion between these two is that Mr. Anderson has been using an American consultancy firm called Interser, which has an office in Beirut, as his agents, and Mr. Lufkin, who is the Middle East Representative of Interser, is also a partner in Shahab's organisation Kinteco.

3. Mr. Anderson came here about a year ago and saw the then Chancellor of the Exchequer, to whom he explained his scheme for forming a Corporation with a capital of about $25 million, half from the United States (possibly with participation from other countries including the United Kingdom) and half from Kuwaiti sources, both private and official. The purpose was to invest in companies abroad and to train Kuwaitis in Stock Market skills. Mr. Selwyn Lloyd explained that Her Majesty's Government had no wish to monopolise Kuwaiti foreign investment and asked that British participation in the company should not be excluded. Recently, Fakhri Shahab has apparently been trying to magnify Mr. Anderson's scheme into a channel through which all, or nearly all, Kuwait Government surpluses would be placed to the best advantage, but the high level group of Bankers whom the Kuwaitis have recently been consulting have shown themselves unenthusiastic.

E F Given

(E.F. Given)
April 23, 1963.

G P Wakeley
23/4

RBL 29/4

B

ARABIAN DEPARTMENT

KUWAIT

1963

51

B K.1114/47

FROM Mr J. R. Rich, Bahrain to Mr. Snellgrove.

RESTRICTED

No. 1120

Dated October 17

Received October 22.

SUBJECT:

Mr. Turner, Chief Engineer of KINTECO visited Bahrain, Doha and Dubai: Kuwait investment or Kuwaiti not apparently welcome: Dubai more receptive.

References

-/35

(Printing Instructions)

(Outward Action)

MINUTES

29/x

Mr. Lofg 29/10.

Mr. Crawford 29/10

ERD (Mr. Miles) Rom 31/10

(Action completed) 1/11

(Main Indexed) 29. 3/65

J37 57107

1120
(~~311694~~)

RECEIVED IN ARCHIVES No. 5
22 OCT 1963
BK. 1114/47

RESTRICTED

POLITICAL RESIDENCY,

BAHRAIN.

October 17, 1963

Dear Anthony,

From October 6 to 13, Mr. W.M.N. Turner, Chief Engineer of Kuwait International Consultants (Kinteco) paid a visit to the Southern Gulf. On arrival in Bahrain he saw Lindsay and explained that his firm was incorporated by charter in Kuwait and, unlike most firms of consultants, had ample funds (mostly Al Ghanim's) at its disposal. Turner further explained that his firm was interested in setting up industries in under-developed countries and that he was in the process of touring the Gulf to see what prospects there were in the area. Turner's former firm was Frederick Snow and partners, who have some sort of relationship with Kinteco.

2. Andrew Lindsay very briefly outlined Bahrain's economic position for him and suggested people in the Bahrain Government and businessmen whom he should contact. He also warned him that since his firm is Kuwaiti, he might find that the Government's attitude to any proposal he might make would not necessarily be very welcoming, simply because his firm was Kuwaiti and it would mean Kuwaiti money and Kuwaiti individuals possibly coming to Bahrain.

3. Turner called on Lindsay again on October 13, having had conversations with various people in Bahrain and also having visited Doha and Dubai. He said that his reception by the Bahrain Government had left him with the impression that Kuwaitis and their money were not welcome in Bahrain. In fact, by implication, Said Mahmood, the Director of Finance of the Bahrain Government, had indicated that Bahrain could look after its own economic developments without help from Kuwait or anyone else. On this Lindsay comments that although this view may be held by the Bahrain Government, this does not go for the Bahrain merchants, who so long as they can turn an honest penny, do not care about the owner of the penny.

4. Mr. Turner also called on me at the Residency when he arrived from Kuwait, and again on his way back. He had found people at Dubai much more willing to encourage Kuwait investment, but he seemed to have no firm ideas about what projects might be suitable there. He did not visit other places on the Trucial Coast, but asked some questions about possible developments at Ras al Khaimah. Nor did he visit Abu Dhabi; (I told him that if his time was short Doha and Abu Dhabi should take lower priority than Bahrain and Dubai).

5. Just after Turner left Lee, the Middle East representative of Hawker Siddeleys, told me that he had heard that Kinteco might be a source of some finance for their proposed scheme for electric power at Abu Dhabi, on which I have reported separately. I told Lee about Turner and he may well have contacted him since at Kuwait.

6. /

J.A. Snellgrove, Esq.,
Arabian Department,
FOREIGN OFFICE.

RESTRICTED

RESTRICTED

6. Turner did not seem to have a particularly forthright approach, but he was on a first visit of reconnaissance and one could hardly expect him to commit himself very far. We hope, however, that he will come down the Gulf again and we will continue to cultivate him when he does.

7. I am copying this letter to Magor (Board of Trade), Lindsay (Bahrain Agency), Gandy (Kuwait), Boustead (Abu Dhabi), Eyers (Dubai) and Pooley (Doha).

Yours ever,

John Rich

(J.R. Rich)

1963

B

ARABIAN DEPARTMENT

KUWAIT

54

B K 1114/48

FROM F.O memo by Mr. R. T. Higgins

CONFIDENTIAL

No.

Dated November 13

Received November 14

SUBJECT: The deposit of Kuwait money in Egypt: short-term ~~deposit~~ deposit of £12 M Sterling: participation of Kuwait in Arab-Asian Bank

References

BK 1115/10

BK 1115/8

BK 1115/7

BK 1115/6

(Printing Instructions)

(Outward Action)

(Action completed) 18/11

(Main Indexed) 29. 3/15

See MINUTES within

J150 58807—1

Confidential

Enter

Minutes.

55

RECEIVED IN
ARCHIVES No. 5
14 NOV 1963
BK 1114/48

NOTHING TO BE WRITTEN IN THIS MARGIN.

You asked yesterday about Kuwaiti money going to Egypt.

2. We have little hard information but the position appears to be :-

a) that Kuwait has deposited £12 million sterling with banks in Cairo on a short term basis to strengthen Egyptian reserves not to finance foreign expenditure or development. Interest is payable in sterling.

b) the Kuwaitis are considering (this is news as of November 5) participation in an Arab-African Development Bank to operate from Cairo. Egypti own contribution is likely to be mainly if not wholly in local currency, aimed at fostering Egyptian exports to Africa. This is not the African Development Bank recently decided upon at Khartoum by the African Governments. It is a separate move; probably part of the Arab campaign to reduce Israeli penetration of Africa.

R.T. Higgins.
13.11

We learned of this for the first time this morning. You may wish to note this in connexion with the recent minutes on a Departmental paper.

N.S.
13/11

T. Brenchley
T.F.B. Brenchley
13/11

Mr Crawford 13/xi

M. Seiwner

Confidential

15/xi

M.F.P

56

B

ARABIAN DEPARTMENT

1963

KUWAIT

B K. 1114/49

FROM Extract from THE GUARDIAN

CONFIDENTIAL

No.

Dated Nov. 20.

Received Nov. 21.

SUBJECT: Pakistan seeking a loan from the K.F.A.E.D: also a government-to-government loan.

References

-/31(62)
-/24(62).
BK 1121-/16.

(Printing Instructions)

(Outward Action)

Dft) Mr. C. T. Gandy, Kuwait from Mr. S.M. Black.
Dft) C.T. GANDY, Kuwait from S.M. Black, Nov 25
8c) Residency Bahrain 25/11
8) A.W. Redpath, C.R.O 25/11
8) A.W. Redpath. CRO. 13/2
8c) Mr. C.T. Gandy, Kuwait 31/12
8c) Residency, Bahrain. 31/12.

(Action completed)	(Main Indexed)
31/12	29.3.63

MINUTES

26/xi

8/xii
Noted 2 weeks

A) Mr C.T. Gandy, Kuwait to Mr. S.M. Black. 1125/63.
December 4.

Copy: A.W. Redpath, CRO

DCR 11-12

B) Mr M. Sullivan C.R.O to Mr S.M. Black (Copy letter Karachi to CRO)
Dec 11.

Copy to Mr. Gandy, Kuwait under comps. and to the Residency in Bahrain.
23/xii

J150 58807—1

B

P.W
the draft

THE GUARDIAN

Cutting dated 20 NOV 1963 19

RECEIVED
ARCHIVES No. 5
21 NOV 1963

57

(2)

Pakistan seeks loan from Kuwait

BK 1114/49.

From our Correspondent

Karachi, November 19

Pakistan is seeking a loan from Kuwait to help finance Pakistan's third Five Year Plan, to be launched by the middle of 1965. The Pakistani Minister of Commerce, Wahiduzzaman, will make a formal request to the Kuwaiti Minister of Commerce, Khalifa Khalid al Ghunaim, who is coming to Pakistan on Wednesday for an eight-day visit.

The third Plan is expected to need about £190 millions from abroad. Most will be in the form of aid, grants, and loans.

Pakistan will also ask Kuwait for a loan from the Kuwaiti £100 millions Development Fund meant for the exclusive benefit of member countries of the Arab League.

58

Chairman of the committee

Major assaul on farm bar

From Ka

Geneva, November 19

The agricultural committee of the General Agreement on Tariffs and Trade is understood to have found it impossible today even to budge the main obstacle to the Kennedy round of trade expansion, but it has not lost hope

Bag on Nov. 26

25/11

59

Registry No.

Top Secret.
Secret.
Confidential.
Restricted.
Open.

SMB
20/11

Insert Telephone No. & Ext. when appropriate.

Draft. Letter

To:

C. T. Gandy, Esq.,
KUWAIT

From:

S. M. Black

Copy to:

Residency, Bahrain

A. W. Redpath,
C.R.O.

I enclose a copy of a report which appeared in the "Guardian" of November 20 about the apparent intention of the Pakistan authorities to take advantage of Khalifa al-Ghunaim's ~~forthcoming~~ visit to Pakistan to ask for a loan from the Kuwait Fund for Arab Econcomic Development. It seems also that they may be seeking a government-to-government loan. ~~in addition.~~

2. We appear to have no record of Pakistan's interest in obtaining a loan from Kuwait since March 29, 1962 (Bill Cranston's letter 11115/62 to Jock Given refers). In para 4.of this letter Fakhri Shehab is quoted as saying that the Kuwaitis were not likely to respond favourably. The Pakistanis have mended their fences with the Kuwaitis (to some extent) since, and I suppose the possibility of a government-to-government loan at least may now be better. We should be (interested) to hear what transpires.

3. I am sending a copy of this letter to the Residency in Bahrain and to (Alec) Redpath in the Commonwealth Relations Office.

NOTHING TO BE WRITTEN IN THIS MARGIN.

Mr. Black
20/xi

Mr. Miles (ERD) first.
Room
21/11

20/xi

RECEIVED IN DIVISION
22 NOV 1963
SENT TO T.C. 26/11
DESPATCHED

(87285) Hw.

CONFIDENTIAL

(BK 1114/49)

FOREIGN OFFICE, S.W.1.

November 25, 1963

I enclose a copy of a report which appeared in the "Guardian" on November 20 about the apparent intention of the Pakistan authorities to take advantage of Khalifa al-Ghunaim's visit to Pakistan to ask for a loan from the Kuwait Fund for Arab Economic Development. It seems also that they may be seeking a government-to-government loan.

2. We appear to have no record of Pakistan's interest in obtaining a loan from Kuwait since March 29, 1962 (Bill Cranston's letter 11115/62 to Jock Given refers). In paragraph 4 of this letter Fakhri Shehab is quoted as saying that the Kuwaitis were not likely to respond favourably. The Pakistanis have mended their fences with the Kuwaitis to some extend since, and I suppose the possibility of a government-to-government loan at least may now be better. We should be interested to hear what transpires.

3. I am sending a copy of this letter to the Residency in Bahrain and to Alec Redpath in the Commonwealth Relations Office.

(S.M. Black)

C.T. Gandy, Esq.,
KUWAIT.

CONFIDENTIAL

CONFIDENTIAL

61

(1125/63)

DCK 5-12

PW

RECEIVED IN ARCHIVES No. 5
6 DEC 1963

BK1114/49(A)

BRITISH EMBASSY,

KUWAIT.

December 4, 1963.

Dear Stanley,

Your letter BK 1114/49 of November 25 asked about a report in the Guardian that Pakistan was to seek loans from the Government of Kuwait.

2. I have just called on the Under Secretary of the Ministry of Commerce who accompanied his Minister during the recent visit. He said no such request had been made. What had been discussed was the possibility of private Kuwait investment in Pakistan.

3. The Under Secretary is not much given to confidences, or to giving confidential information, but what he says ties in with Cranston's letter 1125/63 to Snellgrove of June 2 and with the probabilities of the case. With the calls of rising expenditure at home, and more and more demands for money from other Arab States, I cannot see the Kuwait Government lending money to Pakistan, or indeed to any other non-Arab borrower.

BK1121/16

4. Investment of Kuwait reserves in the obligations of foreign governments is a different matter, but I do not imagine that Pakistani Government bonds are of the class, either for yield or "gilt-edgedness", which would qualify them for inclusion in the reserves.

5. I am copying this letter to Bahrain and to Redpath, Commonwealth Relations Office.

Yours ever
Christopher Gandy

(Christopher Gandy)

S.M. Black, Esq.,
Arabian Department,
Foreign Office, S.W.1.

CONFIDENTIAL

COMMONWEALTH RELATIONS OFFICE,
DOWNING STREET, LONDON, S.W.1.

62

DCK 13-12

S.M. Black, Esq.,
Foreign Office,
S.W.1.

With the Compliments

of

M.F. SULLIVAN

RECEIVED IN
ARCHIVES No. 5
20 DEC 1963
BK1114/49 (B)

COPY

BRITISH TRADE COMMISSION
IN PAKISTAN,

KARACHI.

1980

11th December, 1963.

Dear Sullivan,

I have received a copy of the letter addressed to C.T. Gandy in Kuwait from S.M. Black of the Foreign Office about the possible intention of the Pakistan Government to request a loan from the Kuwait Fund for Arab Economic Development.

2. As you know, the Kuwait Minister for Commerce, Khalifa Khalid Al-Ghunaim, paid an official visit to Pakistan for eight days from the 20th November, and had a series of talks with Pakistani Officials and Ministers, including Officials of the Ministry of Commerce and the Commerce Minister, Mr. Wahiduzzaman.

3. Although fairly vague statements were made on the lines that the Kuwait Government had a favourable disposition towards capital investment in Pakistan, there were, as far as we know, no promises made to the Pakistan Government about loans from Kuwait.

4. In present circumstances, however, it would not be suprising if Pakistan made the request, and I am sure if it were granted it would receive fairly wide publicity.

Yours sincerely,

(Sgd) (W.Johnston)

M.F. Sullivan, Esq.,
Commonwealth Relations Office,
Downing Street,
LONDON, S.W.1.

c.c. T.Cs. Lahore
Dacca

1963

B

ARABIAN DEPARTMENT

KUWAIT

B K. 1114/50

64

FROM Mr C. T. Gandy Kuwait to Mr. J. A. Snellgrove.

CONFIDENTIAL

No. 1121/63.

Dated Nov. 20.

Received Nov. 22.

SUBJECT: Loan of £3 million without interest for fund to save antiquities in Nubia

References

BK 1115/10
BK 1115/11 } Dept. 22/11

MINUTES

NEAD (Mr. Higgins) 26/11
ERD (Mr. Miles) Ram 27/11
U.N. Dept. (Mr. J. A. Wright) 29/11
LIBRARY 7/8/64.

(Printing Instructions)

(Outward Action)

(Action completed) 9/12

(Main Indexed) 29.3.65

J150 58807—1

CONFIDENTIAL

(1121/63)

RECEIVED IN ARCHIVES NO. 5
22 NOV 1963
BK. 1114/60.

BRITISH EMBASSY,
KUWAIT.

65

November 20, 1963.

Dear Anthony,

It is perhaps no accident that the Government of Kuwait should at present be announcing various financial measures which benefit the U.A.R.

BK1115/10

BK1115/11

2. I have already reported (see my letters 1163/63 of November 5 to Loombe, and 1163/63 of November 13 to you) the deposit with Egyptian banks of £12 million of the Kuwait Government's reserve and the project (not yet fully agreed but likely to be so very soon) for an Arab-African development bank with a capital of £10 million, of which Kuwait will furnish about a third.

3. The latest assistance to Egypt is a loan of £3 million, without interest and repayable in fifteen years, for the fund to save the antiquities in Nubia. The Government rushed through the National Assembly on November 19 a bill authorizing them to withdraw £3 million from the general reserves for this purpose. Presumably the payment will be made as soon as the Amir has signed the bill.

4. I am copying this letter to Sharp at the Treasury, Loombe at the Bank of England, Hibbert at the Export Credits Guarantee Department, and to the Chancery in Cairo.

Yours ever
Christopher

(Christopher Gandy)

J.A. Snellgrove, Esq.,
Arabian Department,
Foreign Office,
LONDON, S.W.1.

CONFIDENTIAL

1963

B

ARABIAN DEPARTMENT

KUWAIT

66

BK 1114/51

FROM Mr. G. N. Jackson, Kuwait to Mr. T. F. Brenchley

CONFIDENTIAL

No. 11115/63

Dated November 27

Received November 29.

SUBJECT: SHAIKH JABIR said representative of Council of Ministers would visit Federation of South Arabia, to confer with regard to financial assistance.

References

-/37

-/34

-/3.

BK. 1114/55(62)

BK. 1114/52(62)

MINUTES

Good. This offers the best chance of Federation success.

DCKaie 3-12

Mr Pridham

BRP 3/12

(Printing Instructions)

(Outward Action)

Cc) Mr D.N. Doble, CO. 29/11

(Action completed)

4/12

(Main Indexed)

29.3/65

J150 58807—1

CONFIDENTIAL

11115/63

copy to Doha. CO

BRITISH EMBASSY,

KUWAIT.

67

November 27, 1963.

Dear Frank,

A subject I discussed with Shaikh Jabir Al Ahmed, when he called on November 23, was the request of the Federation of South Arabia for financial assistance - your letter to me BK 1114/34 of September 9.

2. Shaikh Jabir told me that the Council of Ministers had decided that their representative, who was shortly to visit the Amirates of the Southern Gulf and later the Yemen to report on the application of Kuwait Aid to them, should later visit the Federation of Southern Arabia and confer with the Ministers responsible. Shaikh Jabir said that he would be informing Shaikh Mohammad Farid, the Federal Minister of External Affairs, of this direct in reply to Mohammad Farid's letter to him.

3. I am sending a copy of this letter to Sir Kennedy Trevaskis and to John Bushell in Aden.

Yours sincerely

Noel Jackson.

T. F. Brenchley, Esq.,
Foreign Office,
LONDON S.W.1.

CONFIDENTIAL

1963

B

ARABIAN DEPARTMENT

KUWAIT

68

B K. 1114/52

FROM Mr. C. T. Gandy, Kuwait to Mr. J. A. Snellgrove

CONFIDENTIAL

No. 11117/63

Dated Nov. 25

Received Nov. 29

SUBJECT: Egyptians have asked for a loan from KFAED: reason why UAR have not previously had a loan: Algeria's loan application

References

-/36
-/43
-/15
-/14
-/2

BK. 1113/2(63). Dept. 9/1

(Printing Instructions)

(Outward Action)

cc) Mr. Magor, CRED. 10/1

(Action completed) 15/1

(Main Indexed) 29.3.65

MINUTES

Copy: EWM Magor CRED

It will be interesting to see whether the KFAED loan to the UAR goes through. Other Kuwaiti money has gone in the form of short-term loans, and will go for the Afro-Arab bank to be set up in Cairo.

DeKaie 3-12

The point about x is that the loans are offered in principle, subject to a satisfactory feasibility report. Doubtless the UAR objected to this condition.

NEAD Mr Tennant
ERD
Jan 13

5/1/64

J150 58807—1

RECEIVED IN
ARCHIVES No. 5
29 NOV 1963
BK. 1114/5v

CONFIDENTIAL

(11117/63)

BRITISH EMBASSY,
KUWAIT.

69

November 25, 1963.

Dear Anthony,

There have been one or two interesting bits of news this last week about the operations of the Kuwait Fund for Arab Economic Development.

2. Claude Loombe heard while he was here for the Currency Board meeting that the Egyptians have now asked for a loan from the fund towards the cost of widening the Suez Canal, and the Director of the Fund has been in Cairo recently to discuss this request. Much at the same time, what is perhaps a Kuwaiti indiscretion, in an interview by Ahmad Sayyid Omar of the Ministry of Finance with "Al Ahram al Iqtisadi", has revealed why the U.A.R. has not yet had a loan from the Fund, a question which has interested me for some time. Ahmad said that the U.A.R. refused to allow the Fund to examine its projects or indeed to accept a loan for a specific project. They just wanted some money without strings. The previous explanation given me by the Fund's Director was that he didn't know why the U.A.R. had not applied, but he could only suppose it was because they didn't want to seem to be asking for payment for their support of Kuwait against Qasim. I have asked Cairo for a copy of the article and will have some fun with the Director when he gets back.

3. He may not do so for some time, for he has gone on to Algeria to discuss their loan application. He had previously told me that the Algerians had put forward a sketch for an agricultural project in Southern Algeria. This has now apparently been dropped - it is suggested because the area concerned falls inside that of the conflict with Morocco - and instead the Algerians are planning an oil company, ostensibly to take over local distribution of products, but with the ulterior aim of going into production themselves. This last item was given to us in strict confidence by the amigré Czech on the Fund and should not be passed to anyone outside British Government service.

4. Copies of this letter go to Sharp in the Treasury, Rose in the Ministry of Power, Loombe in the Bank of England, and to Chanceries at Cairo and Algiers.

Yours ever
Christopher

(Christopher Gandy)

J.A. Snellgrove, Esq.,
Arabian Department,
Foreign Office,
LONDON, S.W.1.

CONFIDENTIAL

1963

B

ARABIAN DEPARTMENT

KUWAIT

70

BK 1114/53

FROM Mr T. E. Evans
Algiers

No. 123 (Saving)
Dated Dec 5
Received Dec 9

SUBJECT: Kuwait Loan to Algeria. Loan of £10 million, agreed on December 2, to Algerian Caisse de Development

References
-/36 Dept 29/11

MINUTES

DEK 10-12

(Printing Instructions)

(Outward Action)

(Action completed)
11/12

(Main Indexed)
3 65

J190 59237—6

INWARD SAVING TELEGRAM
FROM ALGIERS TO FOREIGN OFFICE

By Bag

FOREIGN OFFICE AND
WHITEHALL DISTRIBUTION

71

RECEIVED IN
ARCHIVES No.39
- 9 DEC 1963

Mr. Evans

No.123 Saving
December 5,1963

R.December 7,1963

Addressed to Foreign Office telegram No.123 Saving of December 5.

Repeated for information Saving to: Kuwait
Paris
Washington.

KUWAIT LOAN TO ALGERIA.

It has been announced that an Agreement was signed here on December 2 covering the £10 million low interest loan by the Kuwait Development Fund to the Algerian Caisse de Development. A Kuwaiti delegation led by the Director General of the Fund had been here since November 19, negotiating the terms of application of the loan.

2. This is additional to the loan of £10 million free of interest already made by the Kuwait Government to Algeria.

9 DEC
1963

VVVVV

72

B

ARABIAN DEPARTMENT

KUWAIT

1963

B K1114/54

FROM Mr C.E. Loombe, B. of E., to Mr R.S. Crawford.

SECRET

No. —

Dated Dec 18

Received Dec 30.

SUBJECT: Encloses copy of note about Kuwait Investments and loans by Kuwait Government.

References

Bk. 1112/2 (64.
Bk 1113/1 (64
Bk 1113/2 (64

Flag A

B

(Printing Instructions)

(Outward Action)

C

(Action completed) 25/2

(Main Indexed) 29.3.65 D.

MINUTES

Please see Mr. Crawford's manuscript minute within.

2. The loan to Algeria (£10 million) was concluded on December 2. (BK 1114/53/63) and to Tunisia on December 21 (£6 million) (BK 1113/1/64), bringing the total earmarked by the KFAED, including the £10 million for widening the Suez Canal, to £40½ million.

3. There is one error in Mr. Loombe's survey. The £30 million Government loan to Iraq was in October, not September, 1963.

4. There is also an additional Government loan (or gift) of £1 million to the Yemen, of which the first instalment of £300,000 was paid on December 3. (BK 1112/2/64). The KFAED is also interested.

5. Mr. Gandy reports that no decision has been reached about which of the loans to Algeria and to the Arab Commercial Bank in Geneva is to be linked to the projected gas pipeline. (BK 1113/2/64)

6. There appear to have been irregularities over both the Government gift to the Yemen and the KFAED loan to Tunisia. The latter are the most serious and, as Mr. Gandy observes, are liable

J150 58807—1

to give rise to considerable difficulty in the future. They indicate that, in the last analysis, the Kuwait authorities are prepared to put political before economic motives. It is the latter which provide the strongest protection against unrealistic demands from their Arab neighbours.

smslack
7/1

Mr. Pridham BRP 8/1 YM 5/ii

Mr Snellgrove.

ERD (Mr. Miles) Rom 6/2

NEAD Mr. Higgins Mr. Hayes JCK 10/ii

Eastern Dept. 24/2

FORD (Mr. Shearing Ch. Centring House)

Mr Marsden 17/2

Mr Clark 19/2

Mr Sanders 19/2

Mr Cradock 20/2

73

Number of copies.....

Number of copies of enclosures.....

BANK OF ENGLAND

18th December 1963.

RECEIVED IN ARCHIVES No.10 30 DEC 1963
BK1114/54.

Dear Stewart,

As arranged at our lunch the other day I enclose a copy of a note about Kuwait investments and also a statement setting out what I know of loans made by the Kuwait Government and by the Kuwait Fund for Arab Economic Development.

Yours ever,

Claude (LOOMBE)

R.S. Crawford, Esq., C.M.G., C.V.O.

Sir E Harrison N.S. 23/12
Mr Scrivener
Mr F. Mason FCM 28/12

A very useful summary. Points to note are: (a) the growing scale of loans & gifts.
(b) the substantial lending to the UAR now envisaged - including the deposit of £12m for balance of payments stabilisation.
(c) the running down of Kuwait's sterling. RLC 20/12

SECRET

9.12.63

KUWAIT

Investment

75

1. Advisory Council

I heard little about the activities of the Council. The Secretary-General is an Under-Secretary in the Ministry of Finance but he is not equipped in experience to build up a proper Secretariat and has little time to devote to affairs of the Council. Lord Piercy originally hoped that a Britisher would be appointed as Secretary-General but there now seems little chance of this. The Archangels meet twice a year for about two days on each occasion so without a first-class Secretariat it is unlikely the Council will function in the way intended.

2. Kuwait Fund for Arab Economic Development (capital £100 mn.)

Loans so far agreed are -

Sudan	£7 mn.
Jordan	£7½ mn.

Discussions are on the point of being concluded with Tunisia for a loan of between £6-7 mn. and it is expected that agreement will shortly be reached for a loan to Algeria for about £10 mn. Shaikh Jabir told me that he had agreed in principle to a loan to Egypt towards the cost of widening and deepening the Suez Canal. This would be for £10 mn. (In 1959 the I.B.R.D. made a loan of $56.5 mn. for improvements to the Canal). There is also talk of a possible loan to Syria.

3. Government

Loans so far made by the Kuwait Government are -

Recipient	Date	Amount £ mns.	Purpose
Jordan	July 1960	1	Development.
Lebanon	February 1962	5	Beirut Municipality.
Tunisia	August 1962	3	To help with the repatriation of Algerian refugees.
Algeria	March 1963	10	Presumably for budget support.
Iraq	September 1963	30	In return for recognition of Kuwait and the supply of water from the Shatt al Arab.
Iraq	October 1963	2	To help Iraq fight the Kurds - this was made very privately by the handing over of a cheque to President Arif.
	Carried forward	51	

£ mns.

Recipient	Date	Amount	Purpose
	Brought forward	51	
Egypt	Sept./Oct.1963	12	To place on deposit with Egyptian banks to help the Egyptian foreign exchange position.
Egypt	--	$3\frac{1}{3}$	Part capital for proposed Afro-Asian Development Bank: total capital £10 mn. and the agreement is that Egypt will pay 1/3; Kuwait 1/3; and 1/3 by public subscription in Egypt and Kuwait. So far this is only agreement in principle.
Egypt	--	3	To help towards the cost of the work at Abu Simbel.
Yemen	--	1	Grant for hospitals and schools.
	Total	$70\frac{1}{3}$	

In addition two transfers have been made in the past week which are of significance: one for £$6\frac{1}{2}$ mn. from Government funds in Kuwait for credit of the Arab Commercial Bank in Geneva and one for £2 mn. for the credit of the Bank of the North in Nigeria (which I am told is an associate of Intra). The payment to the Arab Commercial Bank is, I believe, linked to the possibility of that bank taking a financial interest with the Algerian Government in a proposed oil pipeline in Algeria. It is also likely that the loan by the Kuwait Fund for Arab Economic Development may in part contribute towards financing this pipeline.

4. Reserves

Shaikh Jabir hopes to set aside 10% of this year's budget to reserve, i.e. £20 mn., but even if this is achieved, which is doubtful, the scale of the loans now being made will soon eat into the London reserves. The Kuwait Investment Board funds at present stand at about £169 mn.

9th December 1963.

KUWAIT: GOVERNMENT LENDING/GRANTS

£ mns.

Recipient	Date	Amount	Terms	Purpose
Jordan	July 1960	1	4% repayable over 8 years	Development
Lebanon	February 1962	5	4% 8 years	Beirut municipality
Algeria	April 1962	2	Grant	To help resettle refugees
Tunisia	August 1962	3	Repayable in Tunisian currency	To help with the repatriation of Algerian refugees
Algeria	March 1963	10	12 years interest-free	Presumably for budget support
Yemen	May 1963	1	Grant	Schools, hospitals, etc.
Iraq	September 1963	30	25 years interest-free	In return for recognition of Kuwait and the supply of water from the Shatt al Arab.
Iraq	October 1963	2	Grant	To help Iraq fight the Kurds.
Egypt	September/ October 1963	12	4% fixed term bank deposits for 2 years	As a gesture of confidence in the Egyptian economy
Egypt	October 1963	3	15 years interest-free	To help towards the cost of the work at Abu Simbel
Egypt		3 1/3	-	Part capital for proposed Arab African Bank (total capital £10 mn.). Egypt will pay 1/3, Kuwait 1/3 + 1/3 by public subscription in Egypt and Kuwait. So far this is only agreement in principle.
		72 1/3		

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END

Kuwait Fund for Arab Economic Development

Recipient	Date	Amount	Terms	Purpose
Sudan	March 1962	7	4% 15 years	Railways
Jordan	April 1962	4	3% 20 years	Yarmouk scheme
		3	4% 10 years	Phosphates Co.
		1/2	Various rates 10 years	Industrial Development Bank
		7 1/2		
Tunisia	Awaiting signature	6		Electricity project (4?)
Algeria	Under negotiation	10		Oil refinery/ pipeline(?)
		30 1/2		

Bank of England,
17th December 1963.